

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Athletic Department
Northwestern State University
University of Louisiana System
State of Louisiana
Natchitoches, Louisiana

March 6, 2002



Financial and Compliance Audit Division

Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor

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**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Natchitoches, Louisiana**

**Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 2001**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge and Shreveport offices of the Legislative Auditor and at the office of the parish clerk of court.

March 6, 2002

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Financial Statement and
Independent Auditor's Report
For the Year Ended June 30, 2001**

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OFFICE OF
LEGISLATIVE AUDITOR
STATE OF LOUISIANA
BATON ROUGE, LOUISIANA 70804-9397

DANIEL G. KYLE, PH.D., CPA, CFE
LEGISLATIVE AUDITOR

1600 NORTH THIRD STREET
POST OFFICE BOX 94397
TELEPHONE: (225) 339-3800
FACSIMILE: (225) 339-3870

January 31, 2002

Independent Auditor's Report on
Applying Agreed-Upon Procedures

DR. RANDALL J. WEBB, PRESIDENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Natchitoches, Louisiana

We have audited the general purpose financial statements of Northwestern State University, a component unit of the State of Louisiana reporting entity, as of and for the year ended June 30, 2001, and have issued our report thereon dated November 21, 2001. As requested by the university, we have also performed the procedures, as enumerated below, which were agreed to by management of the university. These procedures were applied to the accounting records and internal controls of the Northwestern State University Athletic Department and to the related outside organizations created for or in behalf of the university's intercollegiate athletic programs for the year ended June 30, 2001, solely to assist the university in complying with National Collegiate Athletic Association (NCAA) Bylaw 6.2.3.1. This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of management of Northwestern State University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures and associated findings are as follows:

STATEMENT OF REVENUES
AND EXPENDITURES

1. We obtained written representation from management as to the fair presentation of the Statement of Revenues and Expenditures of the intercollegiate athletic programs for the year ended June 30, 2001, as shown on Statement A. We also verified the mathematical accuracy of the amounts on the statement and agreed the amounts to the university's general ledger.

We found no exceptions as a result of these procedures.

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2. We compared the Statements of Revenues and Expenditures of the intercollegiate athletic programs for June 30, 2001, and June 30, 2000, to identify variances of 20% or greater between individual revenue and expenditure accounts that are 5% or more of the total.

As a result of our procedure, we identified variances of 20% or greater in the following revenue and expenditure accounts, for which the university provided satisfactory responses:

<u>Revenues</u>	<u>Expenditures</u>
Gate receipts	Travel
Outside funds	Operating services
	Other charges - scholarships

3. We compared the budgeted revenues and expenditures to actual revenues and expenditures for the year ended June 30, 2001, to identify any variances of 20% or greater in individual revenue and expenditure accounts that are 5% or more of the total.

As a result of our procedure, we identified variances of 20% or greater in the following revenue accounts, for which the university provided a satisfactory response:

Gate receipts
Outside funds

4. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constituted more than 10% of the total contributions.

We identified and vouched cash contributions totaling \$118,000 donated by Mr. Charles Edward Ragus that exceeded 10% of the total contributions. No other individual contributions exceeded 10% of the total contributions.

INTERNAL CONTROL - POLICIES AND PROCEDURES RELATING TO INTERCOLLEGIATE ATHLETICS - AGREED-UPON PROCEDURES

5. We made inquiries of management and obtained the university's organization chart, employee job descriptions, and written athletic department policies and procedures to identify aspects of internal control unique to the university's

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intercollegiate athletic department and to detect deficiencies in the components of those controls.

We detected no deficiencies in the components of the internal controls unique to the university's intercollegiate athletic department.

6. We performed tests of controls unique to the university's intercollegiate athletic department to determine adherence to established policies and procedures related to revenues and expenditures:

- a. We selected three gate receipts and one game guarantee receipt and followed the transactions through the university's cash control system.

The Ticket Sales Reconciliation (Event Report) did not reconcile to the Athletic Department Deposit Record for the total gate sales for two of the games examined. There was a difference of \$85 for the McNeese State Homecoming game and a difference of \$2,474 for the Southern University game. These two games had total ticket sales of \$33,078 and \$144,980, respectively. Except for the reconciliation of these two game receipts, we found no other exceptions as a result of this procedure.

- b. We selected a sample of 20 athletic department cash disbursement transactions and followed them through the university's accounting system.

We found no exceptions as a result of this procedure.

- c. We conducted inquiries and observations of the athletic department personnel to determine their compliance with policies and procedures relating to the control and safeguarding of unsold tickets.

We found no exceptions as a result of this procedure.

- d. We compared the amount of state General Fund appropriation transferred to the Auxiliary Fund (Athletics) to determine compliance with the amount allowed by the Board of Regents.

We found no exceptions as a result of this procedure.

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7. We inquired of management about the involvement of the university's internal auditor in the intercollegiate athletic programs and obtained working paper documentation and the related reports issued by the internal auditor to support the auditor's involvement.

During fiscal year 2001, the internal auditor issued two reports that related to the athletic department.

An internal control review, "Theft of Cash Advance Proceeds - Men's Basketball," found that approximately \$2,000 of a December 12, 2000, cash advance was reported stolen to University Police. The internal auditor made a recommendation that cash be secured in a location to which only individuals with a "business-need-only" have access. The athletic department provided the internal auditor with a written response outlining the corrective actions taken.

Internal auditors also issued a report titled "Institutional Disclosures and Reporting Requirements Review." The report indicated that the athletic department "had properly disclosed information related to athletic program participation rates and financial support data as required by 34 CRD 668.47."

8. We obtained the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's intercollegiate athletic program to identify deficiencies in the design of those procedures.

We found no deficiencies in the design of the university's procedures for gathering information on the nature and extent of booster group activity for or in behalf of the university's intercollegiate athletic program. The accounts of the Northwestern Athletic Association are maintained by the Northwestern State University Foundation, Incorporated. The athletic director and the university's comptroller receive audited annual financial statements from the foundation as a basis to monitor spending of the booster group for athletics.

EXPENDITURES OF OUTSIDE ORGANIZATIONS MADE FOR OR IN BEHALF OF THE NORTHWESTERN STATE UNIVERSITY INTERCOLLEGIATE ATHLETICS PROGRAM

9. We obtained written representation from management of the university that the Northwestern Athletic Association, a part of the Northwestern State University

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Foundation, Incorporated, was the only outside organization created for or in behalf of the athletic department.

10. We obtained the independent auditor's report for the Northwestern State University Foundation, Incorporated, to identify any reportable conditions relating to the foundation's internal control and make inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the Northwestern State University Foundation, Incorporated, were audited by an independent certified public accounting firm for the year ended June 30, 2001. The audit report is dated October 8, 2001, and included no reportable conditions relating to the outside organization's internal control.

11. We obtained the Statement of Cash Receipts and Disbursements from representatives of the Northwestern Athletic Association and agreed the statement to the organization's accounting records. We also compared the cash disbursements made by the Athletic Association for or in behalf of the athletic department to the revenues reported on the university's Statement of Revenues and Expenditures (Statement A) and no reconciling items were identified.

We found no exceptions as a result of this comparison.

12. We compared the direct and in-kind payments from the Northwestern Athletic Association to the university with the revenues reported on the university's Statement of Revenues and Expenditures (Statement A) and no reconciling items were identified.

We found no exceptions as a result of this comparison.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Statement of Revenues and Expenditures of the intercollegiate athletic programs. Accordingly, we do not express such an opinion. Also, we express no opinion on the Northwestern State University's internal control over financial reporting or any part thereof. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

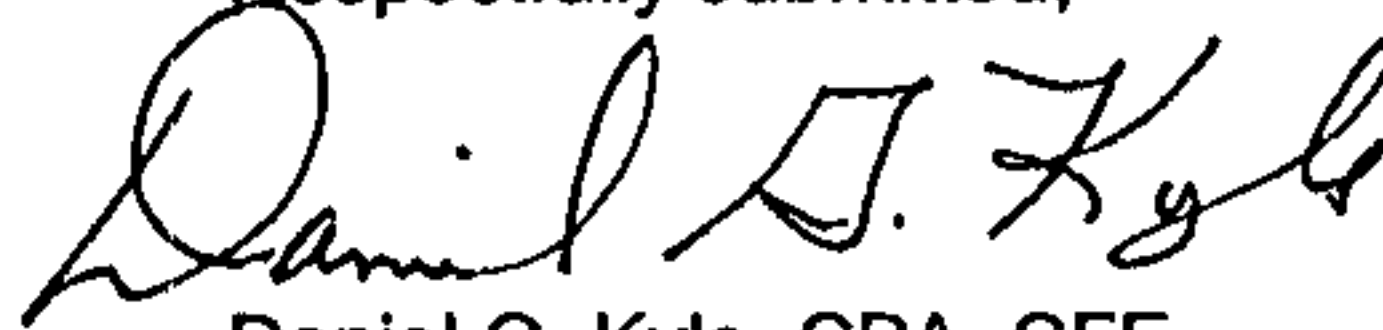
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This report is intended solely for the information and use of management of the Northwestern State University and is not intended to be, and should not be, used by anyone other than management of the university. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Daniel G. Kyle". The signature is fluid and cursive, with a large initial "D" and a stylized "K".

Daniel G. Kyle, CPA, CFE
Legislative Auditor

DLH:WJR:DSP:ss

[NWSUNCAA01]

**ATHLETIC DEPARTMENT
NORTHWESTERN STATE UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
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**Statement of Revenues and Expenditures
For the Year Ended June 30, 2001**

	<u>(PORTION OF) CURRENT FUNDS</u>		
	<u>UNRESTRICTED - GENERAL FUND</u>	<u>RESTRICTED - AUXILIARY ENTERPRISE FUND</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
REVENUES			
Season tickets		\$113,252	\$113,252
Gate receipts		243,165	243,165
State General Fund	\$200,693	1,964,029	2,164,722
Guarantees		339,500	339,500
Outside funds (note 2)		954,117	954,117
Payments-in-kind (note 3)		147,706	147,706
Conference distribution		203,244	203,244
Sports camp fees		131,556	131,556
Other		90,668	90,668
Total revenues	<u>200,693</u>	<u>4,187,237</u>	<u>4,387,930</u>
EXPENDITURES			
Personal services:			
Coaches' salaries		742,200	742,200
Other salaries	276,844	307,003	583,847
Related benefits	50,922	200,108	251,030
Loan cars		72,780	72,780
Travel		341,917	341,917
Operating services		494,079	494,079
Supplies		336,536	336,536
Fund raisers		41,247	41,247
Professional services		238,804	238,804
Other charges:			
Awards		558	558
Scholarships		858,358	858,358
Guarantees		45,850	45,850
Cultivation		37,200	37,200
Demon Sports Network		14,025	14,025
Entertainment and promotions		69,588	69,588
Other		119,385	119,385
Equipment		91,348	91,348
Capital projects		180,486	180,486
Total expenditures	<u>327,766</u>	<u>4,191,472</u>	<u>4,519,238</u>
EXCESS (Deficiency) OF REVENUES OVER EXPENDITURES	<u>(\$127,073)</u>	<u>(\$4,235)</u>	<u>(\$131,308)</u>

The accompanying notes are an integral part of this statement.

UNAUDITED

ATHLETIC DEPARTMENT NORTHWESTERN STATE UNIVERSITY UNIVERSITY OF LOUISIANA SYSTEM STATE OF LOUISIANA

Notes to the Financial Statement
For the Year Ended June 30, 2001

INTRODUCTION

Northwestern State University is a publicly supported institution of higher education. The university is a component unit of the State of Louisiana within the executive branch of government. The Northwestern State University Athletic Department is a part of Northwestern State University. The accompanying financial statement presents information only as to the transactions of the Northwestern State University Athletic Department.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. FUND ACCOUNTING

To observe limitations and restrictions placed on the use of available resources, the accounts of Northwestern State University are maintained in accordance with the principles of fund accounting. Such principles prescribe the manner in which resources for various purposes are classified, for accounting and reporting purposes, into funds that are in accordance with the activities or specified objectives. Accounts are maintained for the transactions of the athletic department as follows:

Current Funds

Current funds are operating funds that will be expended in the near future. Such funds have two basic subgroups, unrestricted and restricted. Unrestricted current funds include all funds for operating purposes on which there are no restrictions, except the budgetary control provisions included in the annual legislative appropriation act. The General Fund includes salary charges related to the athletic department budgeted and paid with General Fund resources. The Auxiliary Enterprise Fund includes the operating accounts of the athletic department. Restricted current funds represent those funds on which restrictions have been imposed to limit the purposes for which such funds can be used.

B. BASIS OF ACCOUNTING

The accounts of the athletic department are maintained on the accrual basis of accounting as follows:

Revenues

Substantially all revenues are recognized when earned.

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Notes to the Financial Statement (Continued)

Expenditures

Expenditures are recognized under the accrual basis of accounting when incurred, except that (1) depreciation is not recognized; (2) annual and sick leave are recognized when paid; (3) summer school fees and faculty salaries and related benefits for June are not prorated but are deferred to the succeeding year; and (4) inventories of the General Fund are recorded as expenditures at the time of purchase.

C. EMPLOYEE COMPENSATED ABSENCES

Employees of the university working in the athletic department earn annual and sick leave in accordance with state law and administrative regulations. Leave benefits are reflected in the accompanying statement when paid. These leave benefits are accrued and reported in the general purpose financial statements of Northwestern State University but are not accrued for reporting purposes in Statement A since compensated absences are not reportable at the department level and are deemed immaterial.

D. TOTAL COLUMN ON STATEMENT

The total column on the Statement A is captioned Memorandum Only (overview) to indicate that they are presented only to facilitate financial analysis. Data in this column does not present results of operations in conformity with accounting principles generally accepted in the United States. Neither is such data comparable to a consolidation.

2. CONTRIBUTIONS FROM OUTSIDE ORGANIZATION

Included on Statement A are expenditures made for or in behalf of the athletic department by the Northwestern Athletic Association as follows:

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Notes to the Financial Statement (Concluded)

Personal services	\$21,674
Travel	19,520
Operating services	46,575
Supplies	153,685
Professional services	11,542
Promotions and entertainment	69,588
Fund raisers	41,247
Scholarships	213,313
Cultivation	37,200
Demon Sports Network	14,025
Equipment	28,085
Capital projects	178,528
Other expenses	<u>119,135</u>
Total	<u><u>\$954,117</u></u>

3. PAYMENTS-IN-KIND FROM OUTSIDE ORGANIZATIONS

Included on Statement A are payments-in-kind, which are recognized as outside funds that were received for or in behalf of the athletic department from outside organizations as follows:

Loan cars	\$72,780
Travel	7,875
Operating services	20,500
Supplies	19,843
Equipment	24,750
Capital projects	<u>1,958</u>
Total	<u><u>\$147,706</u></u>

**4. OUTSIDE ORGANIZATION CREATED FOR OR
IN BEHALF OF THE NORTHWESTERN STATE
UNIVERSITY INTERCOLLEGIATE ATHLETICS
PROGRAM**

The Northwestern Athletic Association is the only outside organization created for or in behalf of the Northwestern State University Intercollegiate Athletics Program. The accounts for this association are maintained within the Northwestern State University Foundation, Incorporated, which is a separate corporation audited by an independent certified public accounting firm.